

This evil of the dislocation of the exchanges was recognized by the English Gold and Silver Commission in 1888, when silver had already fallen in gold value from an average of 59½ pence in 1873 to 42½ pence in 1888. The disadvantages resulting from these conditions led to a series of measures by the Caucasian governments having interests in the Orient which largely corrected the evils of fluctuating exchange and wrote a new chapter in the history of monetary science. The Dutch in Java were the first to put in operation in 1875 a system for ensuring stability of exchange with Europe. The British attacked the much greater problem of giving stability to the mass of hundreds of millions of silver coins in India, first in 1893 and finally more completely in 1899. The United States attacked the same problem in the Philippines in 1901 and solved it in 1903 by a measure which represented the most advanced development of what came to be known as the gold-exchange standard. The Philippine experiment became a model for Mexico in 1904 and Panama in the same year, and was partly followed by the British in the Straits Settlements and by the French in Indo-China.

The fundamental principle of the gold-exchange standard is the maintenance of silver coins at parity with gold, without reference to their bullion value, by restriction of the quantity to the requirements of local trade and by the sale of bills of exchange at legal gold parity, plus such legitimate charges for exchange as prevail between gold countries. This is practically what was accomplished, with some variations of detail, in most of the silver-using countries of the Orient, except China, between 1897 and 1906. The earlier experiment in Java, although eminently successful, was not at first adopted as a guide in other countries because of the limited area in which it was tried and the process of evolution by which it grew up.

#### *The Bank of Java.*

The bank-note circulation of the Dutch East Indies, of which the Island of Java forms the most important part, is